

DEPARTMENT OF THE AIR FORCE
Washington

Office of the Secretary

Dear Mr. Speaker:

There is forwarded herewith a draft of legislation "To authorize checks to be drawn in favor of banking organizations for the credit of a person's account, under certain conditions."

This proposal is a part of the Department of Defense Legislative Program for the 89th Congress. In accordance with the recommendation of the Treasury Department, the proposal was made applicable to all Government agencies. The Bureau of the Budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of this proposal for the consideration of the Congress. The Department of the Air Force has been designated as the representative of the Department of Defense for this legislation. It is recommended that this proposal be enacted by the Congress.

Purpose of the Legislation

Generally, the purpose of the proposed legislation, which is Government-wide in scope, is to authorize Government agencies, under regulations to be prescribed by the Secretary of the Treasury, to draw checks in favor of banking organizations for the credit of a person's account, under certain conditions. Specifically, it would permit the heads of departments, agencies, independent establishments, boards, commissions, and offices in the executive, legislative, and judicial branches of the Government, wholly owned or controlled Government corporations, and the municipal government of the District of Columbia to authorize the drawing of a check by a disbursing officer in favor of a bank, savings institution, or Federal or State chartered credit union which represents payments to one or more persons who use that organization as a depository. In other words, if more than one person designates the same banking organization as a depository, a single check may be drawn in favor of the banking organization for the total amount due to such persons and transmitted to the banking organization, identifying each person, and the individual amount to be deposited to his account. The method of payment authorized by this proposal would cover payments of a repetitive type (payroll, retirement, pension, etc.) and apply to persons who are (1) civilian officers or employees in or under the executive, legislative, or judicial branch of the Government; (2) members of Congress; (3) civilian officers or employees of the municipal government of the District of Columbia; and (4) members or former members of the uniformed services. It would also apply to persons who are retired.

This procedure has been used by the Department of the Army since 1913 in administering officers' pay and since 1956 in administering the pay of other personnel. It has been used by the Air Force since 1955. Although this procedure has not been specifically authorized by the Department of the Navy, it has been used by the Marine Corps since 1958 and by a few Navy activities in the payment of military personnel.

As background, using one service, the Department of the Air Force only, as an example to eliminate duplication of remarks, the following information is submitted:

a. Paragraph 70401.1, AFM 173-50 (now paragraph 30316, AFM 177-108), Finance Systems and Procedures permitted the drawing of checks payable to banking organizations for the credit of the account of a civilian employee on his request. It also provided that when more than one person designated the same banking organization, a single check could be drawn in the total amount, if each employee and the amount to be deposited to his account was identified with the check.

b. The Comptroller General of the United States, in Decision No. B-141025, November 12, 1959, took specific exception to the procedure contained in paragraph 70401.1, AFM 173-50. He held that drawing checks covering salary payments of civilian employees, in favor of banks, for deposit to the employee's account, is in contravention of law. Sections 3477 and 3620 of the Revised Statutes (31 U.S.C. 203 and 492, respectively) were cited.

c. After intensive study, the Assistant Secretary of the Air Force (Financial Management) dispatched a letter to the Comptroller General of the United States on May 13, 1960, citing the benefits of the single check procedure and inclosing a savings study and an opinion of the Air Force General Counsel. Reply to this letter was dated August 3, 1960, and held that there was no legal basis for modification or revision of his original decision.

d. Again on September 29, 1960, the Assistant Secretary of the Air Force (Financial Management), requested reconsideration of the opinion and placed questions for clarification in the event the decision was confirmed. The decisions of November 12, 1959, and August 3, 1960, were sustained by the Comptroller General on December 20, 1960. In this letter it became apparent that the applicability of the original decision would have to be extended to the procedure for the payment of military members. Paragraph 30406b, AFM 173-10 (now paragraph 30316, AFM 177-108), Organization, Functions and Responsibilities of Finance Offices, permitted the same procedure as contained in paragraph 70401.1, AFM 173-50 for drawing checks payable to banking organizations for the credit of the military member.

e. Finally, the Comptroller General has agreed with representatives of the Department of Defense that present procedures in the military departments may remain unchanged pending actions on the proposed legislation. The procedure will not be expanded until legislation is obtained.

The proposed legislation permitting the drawing of checks payable to banking organizations has been drafted to permit use of a single check when more than one person has designated that banking organization. The practice of consolidating payment of multiple vouchers into one check to one payee is presently encouraged in settling commercial invoices throughout the Government in paragraph 5010.40, Title 7, General Accounting Office Manual.

The mailing of payroll checks to an address designated by the employee or military member has become increasingly prevalent within the Department of Defense. The advantages to the Government are manifold.

a. Payroll action is complete at the time the check has been drawn, enveloped, and dispatched. The civilian personnel office staff is not involved in the distribution.

b. Circumstantially, banking facility hours are normally within the working day. Although no valid computation of working time lost by individuals in banking or cashing of payroll checks during duty hours can be made, this cannot be ignored. By mailing checks to a home address or to a bank, this problem of lost time is materially reduced. When mailed to the bank, no occasion for a visit to the banking facility arises to dispose of the check. When the check is mailed to the home address, cashing or depositing is usually conducted during other than duty hours.

c. Persons normally designated to distribute checks need not leave their place of duty either to pick up, distribute, or return undelivered checks. Factually, at Warner Robins Air Force Base, Georgia, with a civilian payroll of 15,000 civilians (all of whom are now paid by checks), 350 man-hours were used each week in the distribution process, under the individual check system. In addition to the monetary saving, which is obvious, under the single check system, these individuals are now available for their primary duty during the time which was formerly used for the distribution of checks.

d. At Warner Robins Air Force Base, with 15,000 civilian employees on the payroll, more than 6,000 had designated banks as mailing addresses. This designation was completely voluntary and can be considered as a reasonable percentage of a typical civilian employee group. If the mailing service is made available, it can be assumed that there is a potential of 120,000 persons within the approximately 300,000 Air Force civilian employees who would designate a bank as a mailing address. Among military members in the Washington area paid through the Bolling and Andrews Air Force Base offices, approximately 2,500 of 6,000 Air Force officers have designated a bank as a mailing address. Although the use of banks as a mailing address by enlisted Air Force personnel

is not as prevalent as among civilians and officers, approximately 8% in the Washington area have designated banks as mailing addresses.

e. The factual data obtained at Warner Robins Air Force Base reveals that 3,000 employees are being paid each week by the use of eleven checks payable to banks. Approximately 155,000 fewer Treasury checks are drawn each year at that base by use of the single check procedure.

f. Assuming that the experience data furnished by Warner Robins Air Force Base is typical of civilian payrolls then:

- (1) Elimination of 155,000 checks per year in the payment of 15,000 civilian employees would indicate that if the single check program is extended to cover all 300,000 Air Force employees then a substantial savings in the drawing of 3,100,000 Treasury checks per year will result.
- (2) The following is a computation of the cost of mailing a Treasury check to a banking organization and ultimate cancellation by Treasury:

Cost of Printed Check	\$.00250
Cost of Window Envelope	.00300
Postage	.05000
*Treasury Processing	.004
**Machine Preparation	<u>.01330</u>

Cost of Treasury Check \$.07280

*Provided by Treasury Department

**Cost Data from Air Force Accounting and Finance Center

- (3) Use of the single check for only civilian payrolls within the Air Force can produce a substantial savings each year in the basic cost of processing and mailing of Treasury checks. Conversion to a computer system for military pay has recently required changes in our procedures. We expect to program for the use of the blanket check procedure where economies can be achieved. However, at this point in time we cannot predict the extent of its utilization. Most Air Force enlisted members are now paid on a semi-monthly basis. Use of the program for even a small percentage of enlisted personnel is expected to generate measurable savings.

Cost and Budget Data

The cost of drawing and processing a Treasury check by mechanical or electronic means has been greatly reduced during the past several years in Government offices and commercial institutions. However, the basic cost of a printed check and envelope, postage and processing must be considered when the quantity is significant. The use of the single check procedure will produce sizeable savings to the United States Government. Enactment of the proposed legislation will be extremely advantageous to civilian employees and military members and will generate sizeable savings to the United States Government through the use of the single check when banking organizations are designated as a mailing address. No compromise of payroll computation procedures or change to these procedures is necessary.

Sincerely,

1 Attachment

Honorable John W. McCormack

Speaker of the House of Representatives

AN IDENTICAL LETTER WILL BE FORWARDED TO PRESIDENT OF THE SENATE